

**MONTCALM TOWNSHIP  
MONTCALM COUNTY, MICHIGAN  
ANNUAL FINANCIAL STATEMENTS  
AND  
AUDITOR'S REPORT  
MARCH 31, 2004**

59-1140

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

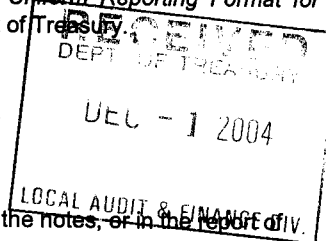
Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>MONTCALM TOWNSHIP</b>	County <b>MONTCALM</b>
Audit Date <b>3/31/04</b>	Opinion Date <b>11/26/04</b>	Date Accountant Report Submitted to State: <b>11/30/04</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations



You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGR).			✓

Certified Public Accountant (Firm Name) <b>DEAN JENSEN, CPA, P.C.</b>			
Street Address <b>108 N. LAFAYETTE ST. SUITE D</b>		City <b>GREENVILLE</b>	State <b>MI</b>
Accountant Signature 		ZIP <b>48838</b>	Date <b>11/30/04</b>

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**INDEPENDENT AUDITOR'S REPORT**

To the Township Board  
Montcalm Township  
Montcalm County, Michigan


We have audited the accompanying general purpose financial statements of Montcalm Township, Michigan as of March 31, 2004, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of Montcalm Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects the financial position of Montcalm Township, Michigan, at March 31, 2004, and the results of operations for the year then ended, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2004 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund and account group financial statements listed in the table of contents are presented for the purposes of additional analysis and are not a required part of the general purpose financial statements of Montcalm Township, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

  
Dean Jensen  
Certified Public Accountant  
November 26, 2004

**MONTCALM TOWNSHIP  
COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
MARCH 31, 2004**

	<u>Governmental Fund Types</u>		<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Group</u>	<u>Account Totals</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Enterprise Building Inspection</u>	<u>Non-Expendable Trust Cemetery Endowment</u>	<u>General Fixed Assets</u>	<u>Memorandum Only</u>
<b>ASSETS</b>						
Cash	\$ 331,423	51,839	17,799	66,182	-	467,243
Taxes Receivable	9,392	3,871	-	-	-	13,263
Fixed Assets	-	-	-	-	1,141,330	1,141,330
Amount to be provided for retirement of long term debt	-	-	-	-	-	-
Total Assets	<u>340,815</u>	<u>55,710</u>	<u>17,799</u>	<u>66,182</u>	<u>1,141,330</u>	<u>1,621,836</u>
<b>LIABILITIES AND FUND BALANCE</b>						
<b>LIABILITIES</b>						
Accounts Payable	-	-	-	-	-	-
Contract Payable	-	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE</b>						
Investment in General Fixed Assets	-	-	-	-	1,141,330	1,141,330
Retained Earnings-Reserved	-	-	17,799	-	-	17,799
Non-Expendable Trust Fund	-	-	-	66,182	-	66,182
Reserved for Fire Equipment Fund	-	31,199	-	-	-	31,199
Reserved for Cemetery Operations	-	3,087	-	-	-	3,087
Reserved for Cemetery Land Purchases	-	20,518	-	-	-	20,518
Reserved for Liquor Law Enforcement	-	906	-	-	-	906
Unreserved	<u>340,815</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>340,815</u>
Total Fund Balance	<u>340,815</u>	<u>55,710</u>	<u>17,799</u>	<u>66,182</u>	<u>1,141,330</u>	<u>1,621,836</u>
Total Liabilities and Fund Balance	<u>\$ 340,815</u>	<u>55,710</u>	<u>17,799</u>	<u>66,182</u>	<u>1,141,330</u>	<u>1,621,836</u>

See accompanying notes to financial statements

**MONTCALM TOWNSHIP**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES**  
**YEAR ENDED MARCH 31, 2004**

	<u>General</u>	<u>Special Revenue</u>	<u>Total Memorandum Only</u>
<b>REVENUES</b>			
Property Taxes	\$ 58,589	31,199	89,788
Administration Fees	18,605	-	18,605
State Grants	234,206	1,504	235,710
Interest	4,832	2,071	6,903
Rents	350	-	350
Licenses & Permits	9,011	-	9,011
Charges For Services	14,667	-	14,667
Other	<u>3,444</u>	<u>4,435</u>	<u>7,879</u>
Total Revenues	343,704	39,209	382,913
<b>EXPENDITURES</b>			
General Government	136,823	-	136,823
Public Safety	83,128	1,716	84,844
Public Services	18,472	11,199	29,671
Highways and Streets	59,110	-	59,110
Capital Outlay	<u>-</u>	<u>33,109</u>	<u>33,109</u>
Total Expenditures	<u>297,533</u>	<u>46,024</u>	<u>343,557</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>46,171</u>	<u>(6,815)</u>	<u>39,356</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating Transfers In	-	4,287	4,287
Operating Transfer Out	(4,287)	-	(4,287)
Total Other Financing Sources (Uses)	<u>(4,287)</u>	<u>4,287</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)	41,884	(2,528)	39,356
FUND BALANCE - BEGINNING OF YEAR	<u>298,931</u>	<u>58,238</u>	<u>357,169</u>
FUND BALANCE - END OF YEAR	<u>\$ 340,815</u>	<u>55,710</u>	<u>396,525</u>

See accompanying notes to financial statements

**MONTCALM TOWNSHIP**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL AND SPECIAL REVENUE FUND TYPES**  
**YEAR ENDED MARCH 31, 2004**

	General Fund			Special Revenue Fund		
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>REVENUES</b>						
Property Taxes	\$ 48,500	58,589	10,089	30,000	31,199	1,199
Administration Fee	20,800	18,605	(2,195)	-	-	-
State Grants	240,300	234,206	(6,094)	2,000	1,504	(496)
Interest	3,320	4,832	1,512	2,000	2,071	71
Rents	-	350	350	-	-	-
Licenses & Permits	8,540	9,011	471	-	-	-
Charges For Services	-	14,667	14,667	-	-	-
Other	8,540	3,444	(5,096)	43,000	4,435	(38,565)
Total Revenues	<u>330,000</u>	<u>343,704</u>	<u>13,704</u>	<u>77,000</u>	<u>39,209</u>	<u>(37,791)</u>
<b>EXPENDITURES</b>						
General Government	140,500	136,823	3,677	-	-	-
Public Safety	90,500	83,128	7,372	2,000	1,716	284
Public Services	30,000	18,472	11,528	45,000	11,199	33,801
Highways and Streets	60,000	59,110	890	-	-	-
Capital Outlay	9,000	-	9,000	30,000	33,109	(3,109)
Debt Retirement	-	-	-	-	-	-
Total Expenditures	<u>330,000</u>	<u>297,533</u>	<u>32,467</u>	<u>77,000</u>	<u>46,024</u>	<u>30,976</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>46,171</u>	<u>46,171</u>	<u>-</u>	<u>(6,815)</u>	<u>(6,815)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Operating Transfers In	-	-	-	-	4,287	4,287
Operating Transfers Out	-	(4,287)	(4,287)	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(4,287)</u>	<u>(4,287)</u>	<u>-</u>	<u>4,287</u>	<u>4,287</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>41,884</u>	<u>41,884</u>	<u>-</u>	<u>(2,528)</u>	<u>(2,528)</u>
FUND BALANCE - BEGINNING OF YEAR	<u>298,931</u>	<u>298,931</u>	<u>-</u>	<u>58,238</u>	<u>58,238</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 298,931</u>	<u>340,815</u>	<u>41,884</u>	<u>58,238</u>	<u>55,710</u>	<u>(2,528)</u>

**MONTCALM TOWNSHIP**  
**COMBINED STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN FUND BALANCE/RETAINED EARNINGS**  
**ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS**  
**YEAR ENDED MARCH 31, 2004**

	Proprietary Fund Types <u>Enterprise</u> <u>Building Inspection</u>	Fiduciary Fund Types Non-Expendable <u>Trust</u> <u>Cemetery</u> <u>Endowment</u>	Totals  (Memorandum Only)
OPERATING REVENUES			
Charges for Services	\$ 22,063		22,063
Total Operating Income	<u>22,063</u>		<u>22,063</u>
OPERATING EXPENSES			
Salaries and Wages	12,618		12,618
Professional Services	7,659		7,659
Supplies	931		931
Mileage	700		-
Miscellaneous	<u>783</u>		<u>783</u>
Total Operating Expenses	<u>22,691</u>		<u>22,691</u>
Net Operating Income	<u>(628)</u>		<u>(628)</u>
Non-operating Revenues			
Interest		3	3
Perpetual Care Sales		<u>750</u>	<u>750</u>
Total Non-Operating Revenue		<u>753</u>	<u>753</u>
RETAINED EARNINGS/			
FUND BALANCE - BEGINNING OF YEAR	<u>18,427</u>	<u>65,429</u>	<u>83,856</u>
RETAINED EARNINGS/			
FUND BALANCE - END OF YEAR	<u>\$ 17,799</u>	<u>66,182</u>	<u>83,981</u>

See accompanying notes to financial statements



**MONTCALM TOWNSHIP**  
**COMBINED STATEMENT OF CASH FLOWS**  
**ALL PROPRIETARY FUND TYPES AND NON-EXPENDABLE FIDUCIARY FUNDS**  
**YEAR ENDED MARCH 31, 2004**

	Proprietary Fund Types Enterprise <u>Building Inspection</u>	<u>Fiduciary Fund</u> Non-Expendable Trust Cemetery <u>Endowment</u>
SOURCES OF WORKING CAPITAL		
Net Income (Loss)	\$ <u>(628)</u>	
Cash Flows Provided by Operations	(628)	
Cash Flows From Capital and Related Financing		
Interest		\$ 3
Perpetual Care Sales		<u>750</u>
Total Cash Flows From Capital and Related Financing		753
CASH - BEGINNING OF YEAR	<u>18,427</u>	<u>65,429</u>
CASH - END OF YEAR	\$ <u>17,799</u>	\$ <u>66,182</u>

**MONTCALM TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2004**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Township is located in Montcalm County, Michigan. The Township operates under an elected board of five (5) members and provides services to its residents in many areas including public safety (fire and police), highway and street maintenance, culture/recreation, public improvements, planning and zoning, and general administrative services.

The financial statements of the Township have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

**A - THE REPORTING ENTITY**

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity", these financial statements present the Township and its component units. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

**B - BASIS OF PRESENTATION - FUND ACCOUNTING**

The accounts of the Township are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

The financial activities of the Township are recorded in separate funds and account groups, categorized as follows:

**GOVERNMENTAL FUNDS**

**General Fund:** This fund is used to account for all financial resources except those provided for in another fund. Revenues are primarily derived from property taxes, State and Federal aid, and charges for services to provide for the administration and operation of: (1) general Township governmental departments, boards and commissions; (2) law enforcement; and (3) health, welfare and medical assistance. The fund includes the general operating expenditures of the Township.

**Special Revenue Funds:** These funds are used to account for specific revenue (other than expendable trusts or major capital projects) derived from State and Federal grants, General Fund appropriations and charges for services which are to be expended for specific purposes as dictated by legal, regulatory, or administrative requirements.

**FIDUCIARY FUNDS**

**Trust and Agency Funds:** These funds account for assets held by a governmental unit in a trustee capacity or as an agent of individuals, private organizations, other governmental units and/or other funds. These include: (a) Expendable Trust Funds (b) Nonexpendable Trust (c) Pension Trust Fund; and (d) Agency Funds.

**MONTCALM TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2004**

**B - BASIS OF PRESENTATION - FUND ACCOUNTING (continued)**

**ACCOUNT GROUPS**

**General Fixed Assets Account Group:** This Account Group presents the fixed assets of the Township utilized in its general operations (nonproprietary fixed assets).

Fixed assets used in the general operation of the Township are recorded as expenditures when purchased and are accounted for in the General Fixed Assets Account Group. No depreciation is recorded for these general fixed assets. Infrastructure assets, including roads, bridges, sanitary sewers, drains, curbs, and gutters are not capitalized.

**General Long-Term Debt Account Group:** This Account Group presents the balance of general obligation long-term debt which is not recorded in proprietary or trust funds.

**C - BASIS OF ACCOUNTING**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The modified accrual basis of accounting is used by all governmental fund types, agency funds, and expendable trust funds.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means it is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Township considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when the amounts have been accumulated in the debt service fund for payments to be made early in the following year.

The Non-Expendable Trust Funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

**D - BUDGETS AND BUDGETARY ACCOUNTING**

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to March 1, the Township Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them, for the General and Special Revenue Funds.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to March 31, the Township Board adopts by resolution a budget for the ensuing fiscal year.
4. The Supervisor or his designee is authorized to transfer budgeted amounts within departmental appropriation accounts. However, any revisions that alter the total expenditures of any department must be approved by the Township board.

**MONTCALM TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2004**

**D - BUDGETS AND BUDGETARY ACCOUNTING (continued)**

5. Budgets are adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year end.

6. Adoption and amendments of all budgets used by the Township are governed by Public Act 621.

Budgeted amounts are as originally adopted or as amended by the Township Board as of March 31, 2004. Individual amendments were not material in relation to the original appropriations which were adopted.

Excess of expenditures over appropriations – Public Act 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended March 31, 2004, the government incurred expenditures in excess of the amounts appropriated at the legal level of budgetary control as follows:

	<u>Amended Budget</u>	<u>Actual</u>	<u>Unfavorable Budget Variance</u>
<b>Fire Equipment Fund</b>			
Capital Outlay	30,000	33,109	(3,109)

**E - RECEIVABLES**

Receivables have been recognized for all significant amounts due the township in accordance with the accounting principles used for the particular fund. All receivables are estimated to be fully collectible as presented.

**F - FIXED ASSETS**

**General Fixed Assets:** General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not added to the general fixed asset account group.

Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs, and gutters, streets and sidewalks, drainage systems and lighting systems are not capitalized, as these assets are immovable and of value only to the government.

Assets in the general fixed assets account group are not depreciated.

**G - PROPERTY TAXES**

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on December 1 and are due and payable on or before February 14 of the following year. All unpaid taxes become delinquent February 15 of the following year.

**MONTCALM TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2004**

**G - PROPERTY TAXES (continued)**

Real property taxes not collected as of March 1 are turned over to Montcalm County for collection, which advances the Township 100% for the delinquent taxes. Collection of the delinquent personal property taxes remains the responsibility of the Township.

**H - TOTAL COLUMNS ON COMBINED STATEMENTS - OVERVIEW**

Total columns on the Combined Statements - Overview are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**NOTE 2 - CASH AND INVESTMENTS**

Deposits are carried at cost. Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations. Investments can also be made in bonds, securities, and other obligations of the United States, or an agency or instrumentality of the United States, which are guaranteed as to principal and interest by the United States, including securities issued by the Government National Mortgage Association; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the three highest classifications by not less than two standard rating services which mature not more than 270 days after the date of purchase and which involve no more than 50 percent of any one fund. Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

The Governmental Accounting Standards Board (GASB) Statement No. 3 risk disclosure for deposits at year end are as follows:

BANK BALANCE	
<u>Deposits</u>	<u>Primary Government</u>
Insured (FDIC)	\$361,925
Uninsured	<u>107,930</u>
Total Deposits	<u>\$469,855</u>

At year end, the balance sheet carrying amount of deposits was \$467,243.

**MONTCALM TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2004**

**NOTE 3 - CHANGES IN GENERAL FIXED ASSETS**

A summary of changes in general fixed assets follows:

	Balance April 1, <u>2003</u>	<u>Additions</u>	<u>Deletions</u>	Balance March 31, <u>2004</u>
Land and Buildings	\$78,430			78,430
Municipal Complex	603,108			603,108
Township Hall Equipment	19,603			19,603
Voting Machines	4,050			4,050
Office Equipment	1,630			1,630
Fire Equipment	<u>401,400</u>	<u>33,109</u>	<u>          </u>	<u>434,509</u>
	<u>\$1,108,221</u>	<u>33,109</u>	<u>-0-</u>	<u>\$1,141,330</u>

**NOTE 4 - PENSION PLAN**

The Township does not have a retirement plan for any of its employees.

**NOTE 5 – RISK MANAGEMENT**

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries as well as workman's compensation benefits provided to employees. The Township has purchased commercial insurance for claims relating to general liability, errors and omissions, physical damage (equipment, building, and contents) and workers compensation.

Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverage obtained through commercial insurance during the past year.

**MONTCALM TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2004**

**NOTE 6 – DEFERRED COMPENSATION PLAN**

The Township does not have a deferred compensation plan.

**NOTE 7 - POST EMPLOYMENT**

The Township does not furnish any post employment benefits to its employees.

**NOTE 8 - ACCUMULATED VACATION AND SICK PAY**

The Township employees do not earn vacation pay and they are not paid for sick days.

**NOTE 9 – BUILDING INSPECTION FUND**

The Township approved the Building Inspection Fund (an enterprise fund) on June 7, 2000.

**MONTCALM TOWNSHIP  
GENERAL FUND  
BALANCE SHEET  
MARCH 31, 2004**

**Assets**

Cash and Cash Equivalents	\$ 331,423
Taxes Receivable	<u>9,392</u>
Total Assets	<u><u>340,815</u></u>

**Liabilities and Fund Balance**

Liabilities	<u>0</u>
Total Liabilities	0

<b>Fund Balance</b>	<u>340,815</u>
Total Liabilities and Fund Balance	\$ <u><u>340,815</u></u>



**MONTCALM TOWNSHIP - GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**YEAR ENDED MARCH 31, 2004**

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Property Taxes	\$ 48,500	58,589	10,089
Administration Fee	20,800	18,605	(2,195)
State Grants	240,300	234,206	(6,094)
Licenses & Permits	8,540	9,011	471
Interest	3,320	4,832	1,512
Rents	-	350	350
Charges For Services	-	14,667	14,667
Other Revenues	8,540	3,444	(5,096)
<b>Total Revenues</b>	<b>330,000</b>	<b>343,704</b>	<b>13,704</b>
<b>Expenditures</b>			
Township Board	30,000	29,422	578
Supervisor	21,500	21,436	64
Assessor	18,500	19,884	(1,384)
Elections	2,000	109	1,891
Clerk	16,000	15,942	58
Board of Review	2,500	1,852	648
Treasurer	25,000	28,466	(3,466)
Township Hall	25,000	19,712	5,288
Zoning, Construction, & Planning	30,000	18,472	11,528
Police Protection	33,000	19,340	13,660
Fire Department	57,500	63,788	(6,288)
Highways and Streets	60,000	59,110	890
Capital Outlay	9,000	-	9,000
<b>Total Expenditures</b>	<b>330,000</b>	<b>297,533</b>	<b>32,467</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>-</b>	<b>46,171</b>	<b>46,171</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer Out	-	(4,287)	(4,287)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>(4,287)</b>	<b>(4,287)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>-</b>	<b>41,884</b>	<b>41,884</b>
<b>FUND BALANCE - BEGINNING OF THE YEAR</b>	<b>298,931</b>	<b>298,931</b>	<b>-</b>
<b>FUND BALANCE - END OF THE YEAR</b>	<b>\$ 298,931</b>	<b>340,815</b>	<b>41,884</b>

**MONTCALM TOWNSHIP  
GENERAL FUND  
STATEMENT OF EXPENDITURES  
YEAR ENDED MARCH 31, 2004**

**TOWNSHIP BOARD**

Salaries and Wages	\$ 5,272	
Professional Services	12,162	
Mileage	58	
Insurance	4,229	
Publishing	-	
Miscellaneous	<u>7,701</u>	
		29,422

**SUPERVISOR**

Salaries and Wages	14,047	
Mileage	1,081	
Miscellaneous	3,091	
Supplies	<u>3,217</u>	
		21,436

**ASSESSOR**

19,884

**ELECTIONS**

Salaries and Wages	-	
Supplies	109	
Professional Services	-	
Mileage	-	
Miscellaneous	<u>-</u>	
		109

**CLERK**

Salaries and Wages	14,051	
Supplies	667	
Mileage	128	
Professional Services	148	
Miscellaneous	<u>948</u>	
		15,942

**BOARD OF REVIEW**

Salaries and Wages	1,732	
Miscellaneous	-	
Supplies	80	
Publishing	<u>40</u>	
		1,852

**MONTCALM TOWNSHIP  
GENERAL FUND  
STATEMENT OF EXPENDITURES  
YEAR ENDED MARCH 31, 2003**

**TREASURER**

Salaries and Wages	20,075	
Supplies	1,555	
Tax Statements	4,621	
Mileage	206	
Professional Services	765	
Miscellaneous	<u>1,244</u>	
		28,466

**TOWNSHIP HALL**

Salaries and Wages	1,577	
Supplies	459	
Communications	2,081	
Utilities	3,806	
Repair and Maintenance	450	
Professional Services	10,655	
Miscellaneous	<u>684</u>	
		19,712

**ZONING, CONSTRUCTION, AND PLANNING**

Salaries and Wages	13,053	
Supplies	295	
Mileage	20	
Publishing	1,408	
Professional Services	3,584	
Miscellaneous	<u>112</u>	
		18,472

**FIRE DEPARTMENT**

Salaries and Wages	39,065	
Supplies	7,867	
Professional Services	48	
Communications	640	
Insurance	7,497	
Utilities	2,480	
Repairs	5,088	
Mileage	-	
New Equipment	-	
Miscellaneous	<u>1,103</u>	
		63,788

**POLICE PROTECTION**

19,340

**HIGHWAYS AND STREETS**

59,110

**CAPITAL OUTLAY**

-

**TOTAL EXPENDITURES**

\$ 297,533

**MONTCALM TOWNSHIP  
SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
MARCH 31,2004**

	Fire Equipment <u>Fund</u>	Cemetery <u>Fund</u>	Liquor Law Enforcement <u>Fund</u>	<u>Totals</u>
<b>ASSETS</b>				
Cash	\$ 27,328	23,605	906	51,839
Taxes Receivable	<u>3,871</u>	<u>-</u>	<u>-</u>	<u>3,871</u>
Total Assets	<u>31,199</u>	<u>23,605</u>	<u>906</u>	<u>55,710</u>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Accounts Payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	-	-	-	-
<b>FUND BALANCES</b>				
Reserved for Fire Equipment	31,199	-	-	31,199
Reserved for Cemetery Operations	-	3,087	-	3,087
Reserved for Cemetery Land Purchases	-	20,518	-	20,518
Reserved for Liquor Law Enforcement	<u>-</u>	<u>-</u>	<u>906</u>	<u>906</u>
Total Fund Balances	<u>31,199</u>	<u>23,605</u>	<u>906</u>	<u>55,710</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ <u>31,199</u></b>	<b><u>23,605</u></b>	<b><u>906</u></b>	<b><u>55,710</u></b>

**MONTCALM TOWNSHIP  
SPECIAL REVENUE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
MARCH 31, 2004**

	Fire Equipment <u>Fund</u>	Cemetery <u>Fund</u>	Liquor Law Enforcement <u>Fund</u>	<u>Totals</u>
<b>REVENUES</b>				
Property Taxes	\$ 31,199	-	-	31,199
State Grants	-	-	1,504	1,504
Interest	-	2,071	-	2,071
Lot Sales	-	4,435	-	4,435
Total Revenues	31,199	6,506	1,504	39,209
<b>EXPENDITURES</b>				
Salaries and Wages	-	608	1,543	2,151
Supplies	-	725	-	725
Cemetery Maintenance	-	9,495	-	9,495
Mileage	-	2	173	175
Utilities	-	292	-	292
Repairs	-	52	-	52
Miscellaneous	-	25	-	25
Capital Outlay	33,109	-	-	33,109
Total Expenditures	33,109	11,199	1,716	46,024
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,910)	(4,693)	(212)	(6,815)
<b>OTHER FINANCING SOURCES</b>				
Transfers in	287	4,000	-	4,287
TOTAL OTHER FINANCING SOURCES (USES)	287	4,000	-	4,287
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(1,623)	(693)	(212)	(2,528)
FUND BALANCE - BEGINNING OF YEAR	32,822	24,298	1,118	58,238
FUND BALANCE - END OF YEAR	\$ 31,199	23,605	906	55,710

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS

November 26, 2004

Members of the Township Board  
Montcalm Township  
Montcalm County, Michigan

We have audited the general-purpose financial statements of Montcalm Township as of and for the year ended March 31, 2004, and have issued our report thereon dated November 26, 2004. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Montcalm Township's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of general purpose financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of my test disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of Montcalm Township in a separate letter dated November 26, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Montcalm Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

This report is intended for the information of Township Board and management. However, this report is a matter of public record and its distribution is not limited.

  
Dean Jensen, CPA, P.C.

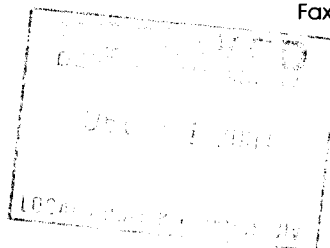
**DEAN JENSEN**  
**Certified Public Accountant, P.C.**

108 N. Lafayette St., Suite D  
P.O. Box 605  
Greenville, MI 48838

Telephone (616) 754-8888  
Fax (616) 754-5281

November 26, 2004

To the Members of the Township Board  
of Montcalm Township



In planning and performing our audit of the general purpose financial statements of Montcalm Township, for the year ended March 31, 2004, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control structure.

During our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The following summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated November 26, 2004, on the financial statements of Montcalm Township.

Comments and Recommendations:

GENERAL FIXED ASSETS

We recommend the Township complete an inventory of fixed assets. These records should include a description of the asset, the date acquired, and the historical cost or estimated value with the method of valuation so indicated. We recommend this fixed asset list include all individual assets with an initial cost equal to or more than \$1000 and an estimated useful life in excess of two years.

### GENERAL LEDGER

We recommend the Township Clerk maintain a complete general ledger updated at least monthly for transactions that have occurred. Doing so would permit the Township to have a better idea how actual revenues and expenditures compare with budgets.

In addition, we recommend the Township consider using the computer to maintain its accounting records. There are significant time saving and accuracy benefits associated with utilizing general ledger software currently available. The Township already has computers it uses for taxes, so the additional cost of switching from a manual accounting system would amount to the software package, software setup and any training needed by the Clerk and Treasurer.

### BUDGETS AND AMENDMENTS

Public Act 621, the Uniform Budgeting Act provides a system of uniform procedures for the preparation and execution of budgets in local units of government in the State of Michigan.

During the audit for the year ended March 31, 2004, we noted that actual expenditures exceeded budgeted amounts in the capital outlay function of the fire fund. Although the excess expenditures were not significant, it suggests an insufficient level of budgetary review is occurring throughout the year.

We would recommend the Township officials periodically examine budget to actual reports to ensure compliance with laws and regulations.



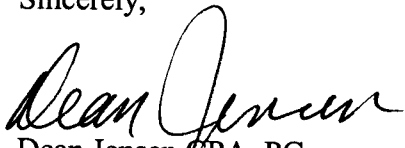
To the Members of the Township Board  
of Montcalm Township

Page 3

There were no additional comments or recommendations that we deemed necessary to bring to the attention of the Township Board at this time. We will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of the members of the Township Board and related regulatory agencies.

Sincerely,



Dean Jensen CPA, PC  
November 26, 2004